



**JOSEPH KELLY**  
TREASURER AND TAX COLLECTOR

## COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

KENNETH HAHN HALL OF ADMINISTRATION  
225 NORTH HILL STREET, ROOM 100  
LOS ANGELES, CA 90012  
TELEPHONE: (213) 974-2077 FAX: (213) 680-3633



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November 24, 2015

TO: Mayor Michael D. Antonovich  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: Joseph Kelly   
Treasurer and Tax Collector

SUBJECT: **ANALYSIS OF THE APPLICABILITY OF THE COUNTY'S BUSINESS LICENSE  
ORDINANCE TO PEER-TO-PEER VEHICLE RENTALS**

This report documents our review of the applicability of the County's Business License Ordinance (Title 7) to peer-to-peer vehicle rentals and presents your Board with two options that consider the regulation of peer-to-peer vehicle rentals under Title 7.

### Background

The peer-to-peer business model utilizes an internet website (website) and/or a smartphone application (app) to connect individuals desiring a service with those offering that service. In 2013, my office worked collaboratively with the Agricultural Commissioner/Weights and Measures in evaluating the applicability of the County's Business License Ordinance to the then-developing peer-to-peer or car for hire ridesharing service. In our report to your Board on this matter, we discussed Sidecar, Uber, and Lyft, which connect passengers with private owners of vehicles for transportation purposes. At that time, the County took no action to regulate this business, as the California Public Utilities Commission (PUC) had begun to take steps to regulate these businesses as "Transportation Network Companies" ("TNCs").

Recently, my office became aware of a new peer-to-peer business model operating within Los Angeles County. This new model, Personal Vehicle Sharing Program (PVSP), allows a car owner (Owner) to register with the PVSP and rent his or her privately owned vehicle to another driver (Renter). There are a number of companies currently operating under this model, including RelayRides (now Turo), Getaround, and JustShareIt. My staff reviewed the website and app for RelayRides. The website and app provide information, such as the vehicle make and model, the general location of the vehicle (city and zip code), and the rental rate. Once a Renter finds his or

her desired vehicle, he or she can reserve the vehicle and pay the rental fee through RelayRides' website or app. Renters can arrange to pick up the car at a specific location or, in some cases, have the car delivered.

My staff and I briefed this issue at the September 17, 2015 Operations Cluster meeting.

### **Personal Vehicle Sharing Program**

Assembly Bill (AB) 1871, which became effective January 1, 2011, established the framework for peer-to-peer car rentals. This legislation added Insurance Code §11580.24, which defines a PVSP as a "legal entity qualified to do business in the State of California engaged in the business of facilitating the sharing of private passenger vehicles for noncommercial use by individuals within the state." Several noteworthy features of this bill follow:

- The use of a private passenger vehicle through a PVSP does not classify the vehicle as a commercial vehicle for insurance purposes.
- Insurance companies may not cancel or refuse to renew insurance policies simply because the Owner is making his/her vehicle available for rent through a PVSP.
- The revenue generated by the Owner through a PVSP cannot exceed the annual expenses of owning and operating the vehicle. The legislative analysis suggests that this limitation was based on a concern that if the Owner accepted compensation of a greater amount, an insurer could reclassify the vehicle as a commercial vehicle, and increase insurance premiums. The intent was for the Owner not to be disadvantaged by renting his or her vehicle through a PVSP. Conversely, this limitation prevents Owners of true commercial vehicles from skirting the requirement to register and insuring their vehicle as such.
- The PVSP must provide insurance coverage for the Owner's vehicle and the Renter during the time the vehicle is engaged in personal vehicle sharing.
- The PVSP shall have the duty to defend and indemnify the Owner, if he/she is named as a defendant in a civil action related to a loss or injury that occurs while the vehicle is under the control of a Renter.
- The PVSP is required to maintain an electronic record for each rental transaction that includes the date, time, initial and final locations of the vehicle, and miles driven. The PVSP must make these records available to governmental agencies as required by law.

### **Regulatory Framework**

The PVSP regulatory framework is limited to the requirements imposed by Insurance Code §11580.24. PVSPs do not fall under the regulatory scope of the PUC. The PUC regulates, among other things, "passenger carriers" (e.g., limos and shuttles), in which drivers transport

passengers and TNCs that provide prearranged transportation services for compensation, using an online-enabled platform or app, to connect drivers using their personal vehicles with passengers. PVSPs do not fit into the passenger carrier or TNC model, as no driver is involved. The Renter is renting the motor vehicle without a driver.

### **Business License Ordinance**

The Los Angeles County Business License Ordinance regulates vehicle rentals. Specifically, Title 7, Section 7.88.010 – Vehicle Rentals, states, "Every person conducting, managing, or carrying on the business of renting motor vehicles without drivers shall first procure a license." Therefore, any individual or company engaging in this activity within the County's jurisdiction, which includes the unincorporated area of the County and the three contracted cities of Malibu, Santa Clarita, and Westlake Village, even for one day, would be required to obtain a Los Angeles County Business License. This includes the rental of cars, heavy-duty trucks, moving vans, and buses.

Presently, the Treasurer and Tax Collector (TTC) has 35 active business licenses for vehicle rentals. Attached is a detailed list of these businesses. The initial application fee for a vehicle rental business license is \$201 and the annual renewal fee is \$131.

The other County departments involved in the approval of a business license for vehicle rentals are the Department of Regional Planning (DRP) and Fire Department (Fire). DRP reviews parcel-specific land use and zoning requirements to determine if the proposed business is an allowed use at the business situs address. Fire is responsible for performing safety inspections on the vehicle rental facility itself. The TTC does not inspect rental vehicles for safety. Under California Vehicle Code (VC) § 24010 rental vehicles must be mechanically safe and sound. VC § 24010(b) grants authority to the California Highway Patrol (CHP) to conduct inspections to ensure compliance with this requirement.

### **Findings and Options Going Forward**

PVSPs do not conduct, manage or carry out the business of renting motor vehicles; they only facilitate the rental transaction. Therefore, the PVSP itself is not subject to Title 7 as it is currently written. However, any Owner registered with a PVSP, who rents his or her vehicle within the County's jurisdiction even just once per year, is required to obtain a County Business License under Title 7. This poses several operational issues for the TTC. Consequently, my staff has evaluated possible policy stances regarding PVSPs for the Board's consideration, as delineated below, and we remain available to evaluate others as directed.

- 1. Revise Title 7 to require that PVSPs obtain a County Business License and then, pursuant to Title 7, license each person who rents his or her vehicle through a PVSP as an Owner.**

The first step in licensing Owners would be to identify individuals renting their vehicles through a PVSP and then obtain their contact information.

- PVSPs do not provide contact information for their registered Owners on their website, although Renters receive contact information after they complete their rental transaction. RelayRides' website and app, for example, lists the general location of the vehicle; however, they do not provide contact information for Owners. This creates a barrier to the enforcement of Title 7 as the TTC would have difficulty identifying Owners and would have no mechanism to contact them.
- While Insurance Code §11580.24 requires PVSPs to make records available to governmental agencies as required by law, County Counsel advised that, as PVSPs are not subject to the requirements of Title 7, there is no legal authority for the TTC to require that PVSPs provide this data. Therefore, the TTC cannot leverage this provision of the Insurance Code to obtain names and contact information of Owners without amending Title 7.

To obtain Owner information, the TTC would require that each PVSP obtain a County Business License. As a condition of this license, the TTC would require PVSPs to advise their registered Owners that they may need to obtain a County Business License. We would also require that PVSPs provide us with information on all registered Owners and the transactions they conduct (including the location of all transactions) as required by Insurance Code §11580.24. The TTC would then analyze the data to determine if the PVSP Owners conducted any rental transactions within the jurisdiction of Title 7.

This step would establish a mechanism through which we make each Owner aware of the potential requirement to obtain a business license, and a mechanism through which the TTC could enforce the requirement, i.e. through the analysis of data from the PVSP. However, it is important to note that this enforcement would be retrospective in nature, which is counterintuitive to the intended purpose of requiring businesses to obtain licenses before they begin operations. In addition, as stated above, Owners would need to obtain a business license even if they only rented their vehicle once.

In addition, another important consideration is that the issuance of a business license to Owners offers no safeguards to the public. A car rented through a PVSP is not subject to VC § 24010(b), which would authorize the CHP to conduct inspections of vehicles used in PVSPs. Furthermore, there is no regulatory agency responsible for the oversight of the maintenance and safety of vehicles used in PVSPs. PVSP owners are solely responsible for the maintenance of their own vehicles.

**2. Revise Title 7 to exempt Owners who rent their vehicles through a PVSP as defined in Insurance Code § 11580.24, from the requirements of Title 7.**

The second option would be to revise Title 7 to exclude Owners who rent their vehicles through a PVSP. Under this option, the TTC would continue to license the existing categories of vehicle rentals, which include the rental of cars, heavy-duty trucks, moving vans, and buses.

**Recommendation**

The TTC recommends option 2. The TTC bases this recommendation on: 1) the complexities of locating and licensing the Owners, 2) that enforcement would be retrospective in nature, and that, 3) the issuance of a County Business license offers no safeguards to the public.

Should your Board agree, we request that you instruct the TTC to work with County Counsel to prepare a revision to Title 7, excluding PVSP Owners from the requirement of obtaining a Business License, and submit that revision to your Board for approval in early 2016.

Should you have any questions, please contact me directly or your staff may contact Kathy Gloster, Assistant Treasurer and Tax Collector, of my staff at (213) 974-2077 or [kgloster@ttc.lacounty.gov](mailto:kgloster@ttc.lacounty.gov).

JK:KK:KG:BR:ms

**Attachment**

- c: Chief Executive Officer
- Acting Executive Officer, Board of Supervisors
- Interim County Counsel
- Agricultural Commissioner/Weights & Measures
- Department of Consumer and Business Affairs
- Fire Department
- Department of Regional Planning
- Business License Commission



# Los Angeles County - Business Licenses

Exhibit A

## Active Motor Vehicle Rentals By Supervisorial District

Sup Dist	Owner	DBA	Situs_Address_Line1	Situs_Address_Line2
1	Penske Truck Leasing Co.	Penske Truck Leasing	14804 E Valley Blvd	City Of Industry, CA 91746
1	U-Haul Corporation	U-Haul	17959 N Valley Blvd	City Of Industry, CA 91744
2	Economy Rentals	Economy Rentals	5511 Whittier	Los Angeles, CA 90022
2	ERMS1, LLC	Indian Victory Los Angeles	11860 S La Cienega Blvd	Hawthorne, CA 90250
2	Ryder Truck Rental Inc.	Ryder Transporation Services	1980 E University Drive	Compton, CA 90220
2	U-Haul Corporation	U-Haul	657 S Atlantic Blvd	Los Angeles, CA 90022
2	Yeung, Michael Lung	180 Motorsports, Inc.	2300 E Gladwick St	Rancho Dominguez, CA 90220
3	Karasdan Inc.	Bestway Auto & Truck Rental	17861 Sierra Hwy	Canyon Country, CA 91351
3	Sauer, Ed	Sauer Glass & Mirror	17145 Sierra Hwy	Canyon Country, CA 91351
3	The Hertz Corporation	Hertz Rent-A-Car	22853 Pacific Coast Hwy	Malibu, CA 90265
4	Car2Go	Car2Go	2539 W 237th Street #H	Torrance, CA 90505
4	Lee, David	Intercalate Link Group, Inc.	18250 Colima Rd #102	Rowland Heights, CA 91748
4	Li, Zhiyun	Always Rejoice Auto Rental LLC	18250 Colima Rd 102	Rowland Heights, CA 91748
4	Mcdaniel, Kim	U-Haul	736 W Del Amo Blvd	Torrance, CA 90502
4	Shih, Kai Fong	Budget Auto Service	18750 Colima Rd E	Rowland Heights, CA 91748
4	The Hertz Corporation	Hertz Rent-A-Car	4111 Admiralty Way	Marina Del Rey, CA 90292
4	The Hertz Corporation	Hertz Rent-A-Car	18456 Colima Rd	Rowland Heights, CA 91748
4	V & O Inc.	V & O Inc.	17480 Colima Rd	Rowland Heights, CA 91748
4	Xie, Yu J	Hacienda Auto Center Corporation	15882 E Gale Ave	Hacienda Heights, CA 91745
5	Connor, Chad	Keep It Self Storage Santa	25333 Railroad Ave	Santa Clarita, CA 91350
5	Enterprise Rent-A-Car	Enterprise Rent-A-Car	21445 Soledad Canyon Rd	Santa Clarita, CA 91350
5	Enterprise Rent-A-Car	Enterprise Rent-A-Car	3540 E Colorado Blvd	Pasadena, CA 91107
5	Enterprise Rent-A-Car	Enterprise Rent-A-Car	23275 Magic Mtn Pkwy	Valencia, CA 91355
5	Estey, Ed	S.T. Rent It Truck Rental	23228 Magic Mtn Pkwy	Valencia, CA 91355
5	E-Z Car Rental	E-Z Car Rental	256 S Rosemead Blvd	Pasadena, CA 91107
5	Frontier Auto Sales Partners	Frontier Toyota	23621 Creekside Rd	Valencia, CA 91355
5	Galpin of Santa Clarita	Galpin of Santa Clarita	23645 Creekside Rd	Santa Clarita, CA 91355
5	Hartman, Fred, Jeff & Cheryl	West Side Equipment Rental	5107 W Ave M	Quartz Hill, CA 93536
5	Helmuth, Jeffrey	Jeff's Shell Service	20858 E Arrow Hwy	Covina, CA 91724
5	Iderick, Inc.	Rent A Wreck On The Hill	49717 Peace Valley Rd	Gorman, CA 93243
5	Karasdan Inc.	Bestway Auto & Truck Rental	24076 Creekside Rd	Valencia, CA 91355
5	Star & Crescent Ventures Inc.	Thrifty Car Rental	3500 E Colorado Blvd	Pasadena, CA 91107
5	The Hertz Corporation	Hertz Rent-A-Car	26011 Bouquet Cyn Rd	Santa Clarita, CA 91350
5	The Hertz Corporation	Hertz Rent-A-Car	26573 Golden Valley Rd	Santa Clarita, CA 91350
5	U-Haul Corporation	U-Haul	2320 Lincoln Ave	Altadena, CA 91001